

SOUTHWEST IOWA MENTAL HEALTH CENTER
INDEPENDENT AUDITOR'S REPORT
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2011 AND 2010

SOUTHWEST IOWA MENTAL HEALTH CENTER

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SOUTHWEST IOWA MENTAL HEALTH CENTER
Officials
June 30, 2011

<u>Board of Directors:</u>	<u>Address</u>	<u>Term Expires</u>
Julie Gade, President	Atlantic, Iowa	September, 2011
Maynard Hansen, Vice-President	Wiota, Iowa	September, 2012
Mary Jo Blunk, Secretary-Treasurer	Atlantic, Iowa	September, 2013
Dawn Ridlen	Griswold, Iowa	September, 2012
Mark Wedemeyer	Atlantic, Iowa	September, 2013
Ned Brown	Atlantic, Iowa	September, 2011
Marie Rourick	Wiota, Iowa	September, 2011
<u>Executive Director:</u>		
John Bigelow	Atlantic, Iowa	

Gronewold, Bell, Kyhnn & Co. P.C.

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS AND FINANCIAL CONSULTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Southwest Iowa Mental Health Center
Atlantic, Iowa

We have audited the accompanying balance sheets of Southwest Iowa Mental Health Center as of June 30, 2011 and 2010, and the related statements of activities and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As indicated in Note D, the Center's continued existence is dependent on cooperation of a related entity. Should the cooperation be discontinued, it would have a significant impact on the Center's financial position and cash flows.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southwest Iowa Mental Health Center as of June 30, 2011 and 2010, and the results of its operations, changes in net assets, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 7, 2011 on our consideration of Southwest Iowa Mental Health Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information (shown on pages 12 through 15) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Gronewold, Bell, Kyhnn & Co. P.C.

Atlantic, Iowa
October 7, 2011

SOUTHWEST IOWA MENTAL HEALTH CENTER
Balance Sheets
June 30,

ASSETS

	<u>2011</u>	<u>2010</u>
Current Assets:		
Cash	\$ 104,643	\$ 144,792
Client receivables, less allowances for doubtful accounts and contractual adjustments (\$190,000 in 2011 and \$160,000 in 2010)	77,237	89,175
Other receivables	62,584	43,362
Estimated third-party payor settlements	424,000	405,000
Prepaid expense	<u>729</u>	<u>665</u>
Total current assets	669,193	682,994
Property and Equipment, Net	<u>75,105</u>	<u>63,952</u>
Total assets	<u>\$ 744,298</u>	<u>\$ 746,946</u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable	\$ 735	\$ 1,543
Accrued employee compensation	53,524	51,046
Due to Cass County Memorial Hospital	<u>580,750</u>	<u>585,068</u>
Total current liabilities	635,009	637,657
Net Assets:		
Unrestricted	<u>109,289</u>	<u>109,289</u>
Total liabilities and net assets	<u>\$ 744,298</u>	<u>\$ 746,946</u>

The accompanying notes are an integral part of these statements.

SOUTHWEST IOWA MENTAL HEALTH CENTER
Statements of Activities and Changes in Net Assets
Year ended June 30,

	<u>2011</u>	<u>2010</u>
Changes in Unrestricted Net Assets:		
Support and Revenue:		
Support:		
Support from Cass County, Iowa	\$ 10,000	\$ 49,250
Grant	34,118	--
Hospital tax revenue	<u>83,945</u>	<u>71,008</u>
Total support	128,063	120,258
Revenue:		
Client fees, net	1,020,692	950,469
Contracted services from Hospital	262,198	295,302
Other revenue	<u>709</u>	<u>2,202</u>
Total revenue	<u>1,283,599</u>	<u>1,247,973</u>
Total Support and Revenue	1,411,662	1,368,231
Expenses:		
Staff salaries and benefits	432,348	422,807
Contracted staff and benefits	972,026	919,925
Other expenses	92,572	98,651
Provision for depreciation	<u>9,539</u>	<u>12,432</u>
Total expenses	<u>1,506,485</u>	<u>1,453,815</u>
Operating Loss	(94,823)	(85,584)
Other Support and Gains:		
Hospital deficit funding	94,654	82,266
Interest income	169	222
Capital grant	<u>--</u>	<u>3,096</u>
Other support and gains	<u>94,823</u>	<u>85,584</u>
Increase in Unrestricted Net Assets	--	--
Net Assets, Beginning of Year	<u>109,289</u>	<u>109,289</u>
Net Assets, End of Year	<u>\$ 109,289</u>	<u>\$ 109,289</u>

The accompanying notes are an integral part of these statements.

SOUTHWEST IOWA MENTAL HEALTH CENTER
Statements of Cash Flows
Year ended June 30,

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Cash received from clients, third party payors, contracting agencies, and public support	\$ 1,267,315	\$ 1,331,166
Cash paid to suppliers and employees	(1,271,059)	(1,244,407)
Investment income	169	222
Grant received	34,118	2,250
Cash received for hospital support	<u>50,000</u>	<u>50,000</u>
Net cash provided by operating activities	80,543	139,231
Cash flows from investing activities:		
Capital expenditures	(20,692)	(22,855)
Cash flows from financing activities:		
Payments to Hospital	<u>(100,000)</u>	<u>(115,086)</u>
Net increase (decrease) in cash	(40,149)	1,290
Cash beginning of year	<u>144,792</u>	<u>143,502</u>
Cash end of year	<u><u>\$ 104,643</u></u>	<u><u>\$ 144,792</u></u>

(continued next page)

SOUTHWEST IOWA MENTAL HEALTH CENTER
Statements of Cash Flows - Continued
Year ended June 30,

	<u>2011</u>	<u>2010</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ --	\$ --
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	9,539	12,432
Change in assets and liabilities		
Accounts receivable	(7,284)	17,627
Estimated third-party payor settlements	(19,000)	16,316
Prepaid expense	(64)	278
Accounts payable	(808)	(282)
Accrued employee compensation	2,478	3,480
Deferred revenue	--	(846)
Due to Cass County Memorial Hospital	<u>95,682</u>	<u>90,226</u>
Total adjustments	<u>80,543</u>	<u>139,231</u>
Net cash provided by operating activities	<u>\$ 80,543</u>	<u>\$ 139,231</u>

Non-Cash Transactions:

The Center also incurred the following non-cash transactions in addition to the transactions reflected in the reconciliation of change in net assets to net cash provided by operating activities:

	<u>2011</u>	<u>2010</u>
Non-cash support from Hospital	<u>\$ 83,945</u>	<u>\$ 71,008</u>

The accompanying notes are an integral part of these statements.

SOUTHWEST IOWA MENTAL HEALTH CENTER
Notes to Financial Statements
June 30, 2011 and 2010

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES

1. Nature of Activities

The Southwest Iowa Mental Health Center is an Iowa not-for-profit corporation operating under Chapter 230A of the Code of Iowa and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Center is established to provide a comprehensive community mental health program for the diagnosis and treatment of psychiatric and psychological disorders and to promote the prevention of mental illness. The Board of Directors serve three year terms and are selected by the existing Board.

The Organization received \$699,150 of revenue from Cass County in 2011 (\$406,863 in 2010). In addition, the Center received a significant portion of its revenue through an agreement with Cass County Memorial Hospital as indicated in Note D.

2. Basis of Accounting and Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recognized when earned and expenses are recorded when the liability is incurred. Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

3. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

4. Client Receivables

Client receivables are shown at the amount expected to be collected from clients and other third-party payors. The allowance for doubtful accounts is based on an aging of all the individual client balances. The allowance for contractual adjustments is based on the difference between the Center's normal fees and expected program payments.

SOUTHWEST IOWA MENTAL HEALTH CENTER
Notes to Financial Statements
June 30, 2011 and 2010

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - Continued

5. Property and Equipment

Property and equipment is stated at cost. The Center computes depreciation on buildings, equipment, land improvements and vehicles using the straight-line method. Lives range from twenty-five to forty years for land improvements and buildings, five to ten years for equipment and three years for vehicles.

6. Support and Revenue

- a. Fees from clients are recorded at list price with adjustments based upon ability to pay and government program limitations deducted to arrive at net fees from clients.
- b. Support from Cass County includes a predetermined amount based on the Center's annual budget.
- c. Grant revenues are for specific programs provided by the Center and are recognized as income when grant requirements have been satisfied.

7. Charity Care

The Center provides care to clients who meet certain criteria under its charity care policy at amounts less than its regular rates. Revenue from services to these clients is recorded as indicated in 6. above. These reductions are recorded as adjustments to fees from clients.

8. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Center considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents, including amounts limited as to use.

NOTE B - THIRD-PARTY PAYOR ARRANGEMENTS

A summary of the payment arrangements with major third-party payors follows:

Medicaid - Certain services are paid based on a cost reimbursement methodology. The Center is reimbursed for the cost of services at a tentative rate with final settlement determined after submission of annual cost reports by the Center and audits thereof by the fiscal intermediary. The Center's Medicaid cost reports have been audited and finalized by the fiscal intermediaries through June 30, 2010. Finalized cost reports are subject to re-opening by the intermediary.

The Center also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Center under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

SOUTHWEST IOWA MENTAL HEALTH CENTER
Notes to Financial Statements
June 30, 2011 and 2010

NOTE C - PROPERTY AND EQUIPMENT

The cost and related accumulated depreciation by major category at June 30 are as follows:

	<u>2011</u>	<u>2010</u>
Land	\$ 1,689	\$ 1,689
Land Improvements	59,948	59,948
Buildings	156,431	153,323
Furniture and Equipment	<u>102,461</u>	<u>84,877</u>
	320,529	299,837
Less Accumulated Depreciation	<u>(245,424)</u>	<u>(235,885)</u>
	<u>\$ 75,105</u>	<u>\$ 63,952</u>

NOTE D - COMMITMENT, RELATED PARTY, AND ECONOMIC DEPENDENCY

The Center participates in a sharing agreement with Cass County Memorial Hospital, pursuant to Chapter 28E of the Iowa Code, to deliver mental health services in the area. Under the agreement, the Mental Health Center purchases all non-physician services necessary for the Center's operations from the Hospital. Tax funds collected by the Hospital for a portion of the cost of the Center's non-physician personnel result in credits of \$83,945 at June 30, 2011 (\$71,008 at June 30, 2010) being passed through to the Center. These credits are recorded as Hospital support on the Statements of Activities and Changes in Net Assets. These credits represent non-cash transactions for purposes of the Statements of Cash Flows. The Hospital purchases all mental health physician services necessary for its inpatient operation from the Center.

During the year ended June 30, 2011, the Center received additional operating cash of \$50,000 (\$50,000 for 2010) from the Hospital to fund the operations of the Center. At June 30, 2011, the Center had a net loss of \$94,654 (net loss of \$82,266 at June 30, 2010) without the Hospital's funding which was recorded as Hospital deficit funding on the Statement of Activities and Changes in Net Assets. Any unused operating cash or additional deficit funding is included in or reduced from the amount owed by the Center to the Hospital.

The Center incurred losses each year between 1995 and 2007 and in 2010 and 2011. In each of the years the Hospital funded the losses of the Center. The survival of the Center remains dependent on its ability to generate profits in the future years, and the cooperation of Cass County Memorial Hospital. The Mental Health Center has received notice from Cass County Memorial Hospital that it is considering closing its inpatient mental health unit. The financial impact this potential change may have on the Center's operations has not been determined. Should the Hospital decide to discontinue its support, the Center's survival would be in serious doubt.

SOUTHWEST IOWA MENTAL HEALTH CENTER
Notes to Financial Statements
June 30, 2011 and 2010

NOTE D - COMMITMENT, RELATED PARTY, AND ECONOMIC DEPENDENCY -
Continued

Below is a summary of the activity and year end amounts due under the agreement with the Hospital:

	June 30,	
	2011	2010
Mental Health Center revenue from Hospital for physicians	\$ <u>262,198</u>	\$ <u>295,302</u>
Support and net deficit funding	\$ <u>178,599</u>	\$ <u>153,274</u>
Mental Health Center expense for personnel costs	\$ <u>942,728</u>	\$ <u>910,859</u>
Mental Health Center expense for insurance	\$ <u>13,507</u>	\$ <u>10,666</u>
Owed by Mental Health Center to Hospital	\$ <u>580,750</u>	\$ <u>585,068</u>

The financial arrangements for the 2011-2012 year are based on the budgeted needs of each entity. The Hospital has agreed to pay the Mental Health Center approximately \$340,200 for physician services and deficit funding; and, the Center agreed to pay the Hospital approximately \$889,400 for non-physician services. Future financial arrangements will be determined annually based on a review of actual operations and needs.

NOTE E - FUNCTIONAL EXPENSES

Following is a summary of expenses classified by function:

	2011	2010
Client Services	\$ 1,401,982	\$ 1,374,548
Management and General	<u>104,503</u>	<u>79,267</u>
	\$ <u>1,506,485</u>	\$ <u>1,453,815</u>

SOUTHWEST IOWA MENTAL HEALTH CENTER
Notes to Financial Statements
June 30, 2011 and 2010

NOTE F - PENSION AND RETIREMENT BENEFITS

The Center contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 4.50% (5.38% beginning July 1, 2011) of their annual salary and the Center is required to contribute 6.95% (8.07% beginning July 1, 2011) of annual covered payroll. Contribution requirements are established by State statute. The Center's contributions to IPERS for the years ended June 30, 2011, 2010, and 2009 were approximately \$22,700, \$20,400, and \$18,800 respectively, equal to the required contributions for each year.

NOTE G - CONTINGENCIES

Risk Management

The Center is insured by a claims-made policy for protection against liability claims resulting from professional services provided or which should have been provided. Management believes that the malpractice insurance coverage is adequate to cover all asserted and any unasserted claims, therefore no related liability has been accrued. Southwest Iowa Mental Health Center is exposed to various other common business risks for which it is covered by commercial insurance. Settled claims from these risks have not exceeded insurance coverage for the past three years.

Subsequent Events

The Center has evaluated all subsequent events through October 7, 2011, the date the financial statements were available to be issued.

NOTE H - CONCENTRATION OF CREDIT RISK

The Center grants credit without collateral to its clients, most of whom are area residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at June 30, 2011 and 2010, was as follows:

	2011	2010
Medicare	3%	8%
Medicaid	12	9
Other third-party payors	37	49
Patients	48	34
	<u>100%</u>	<u>100%</u>

* * *

SUPPLEMENTARY INFORMATION

SOUTHWEST IOWA MENTAL HEALTH CENTER
Service Revenue - Client Fees
Year ended June 30,

	<u>Gross</u>	<u>2011 Adjustments</u>	<u>Net</u>	<u>2010 Net</u>
3rd Party Insurance	\$ 616,400	\$ 254,725	\$ 361,675	\$ 326,725
Medicare	194,340	120,561	73,779	71,690
Title XIX	419,395	32,784	386,611	333,443
Employee and Student Assistance Programs	361	--	361	117
Case Management	188,170	--	188,170	211,328
*Others	<u>11,852</u>	<u>1,756</u>	<u>10,096</u>	<u>7,166</u>
	<u>\$ 1,430,518</u>	<u>\$ 409,826</u>	<u>\$ 1,020,692</u>	<u>\$ 950,469</u>

* Includes consultation fees.

See Independent Auditor's Report.

SOUTHWEST IOWA MENTAL HEALTH CENTER
Operating Expenses
Year ended June 30,

	<u>2011</u>	<u>2010</u>
Program and Administrative Service Expenses:		
Professional staff salaries	\$ 353,949	\$ 346,877
Retirement benefits	80,054	75,001
Other employee benefits	220,275	205,744
Contracted support staff	254,392	226,731
Contracted professional staff	495,704	488,379
Professional fees	12,972	13,187
Operating supplies	16,276	19,178
Telephone	4,635	4,610
Postage	3,239	4,115
Utilities	6,417	5,891
Repairs and maintenance	23,608	24,595
Business insurance	1,620	1,600
Travel reimbursement	6,918	7,687
Conferences, conventions and meetings	2,705	3,235
Subscriptions	405	437
Organization dues	9,283	10,138
Public relations and miscellaneous	<u>4,494</u>	<u>3,978</u>
	1,496,946	1,441,383
Provision for Depreciation	<u>9,539</u>	<u>12,432</u>
Total Operating Expenses	<u>\$ 1,506,485</u>	<u>\$ 1,453,815</u>

See Independent Auditor's Report.

SOUTHWEST IOWA MENTAL HEALTH CENTER
Schedule of Gross Charges and Adjustments for Client Services
Year ended June 30, 2011

Client accounts receivable July 1, 2010		\$ 249,175
Gross charges for client services	\$ 1,430,518	
Adjustments to client fees	(409,826)	
Increase in allowance for doubtful accounts and contractual adjustments	30,000	
Increase in cost report settlements	(19,000)	
Total adjustments on client fees	<u>(398,826)</u>	
Net charges for client services		1,031,692
Less: Payments received for client services		<u>(1,013,630)</u>
Client accounts receivable June 30, 2011		<u>\$ 267,237</u>

See Independent Auditor's Report.

SOUTHWEST IOWA MENTAL HEALTH CENTER
 Clients Served - Distribution by County
 Year ended June 30,

<u>County</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Cass	846	670	733	745
Audubon	111	110	148	140
Shelby	92	78	101	80
Montgomery	59	52	56	52
Pottawattamie	70	69	82	83
Other	<u>157</u>	<u>171</u>	<u>162</u>	<u>158</u>
	<u>1,335</u>	<u>1,150</u>	<u>1,282</u>	<u>1,258</u>

<u>Year Ended June 30,</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Center operating expense per client served:	<u>\$ 1,128</u>	<u>\$ 1,264</u>	<u>\$ 1,040</u>	<u>\$ 1,016</u>
Net fees from clients per client served:	<u>\$ 765</u>	<u>\$ 826</u>	<u>\$ 909</u>	<u>\$ 771</u>

See Independent Auditor's Report.

COMMENTS AND RECOMMENDATIONS

Gronewold, Bell, Kyhnn & Co. P.C.

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Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Directors
Southwest Iowa Mental Health Center
Atlantic, Iowa

We have audited the financial statements of Southwest Iowa Mental Health Center as of and for the year ended June 30, 2011, and have issued our report thereon dated October 7, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Southwest Iowa Mental Health Center's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Southwest Iowa Mental Health Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and, therefore, there can be no assurance all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Center's financial statements will not be prevented or detected and corrected on a timely basis.

To the Board of Directors
Southwest Iowa Mental Health Center

A significant deficiency is a deficiency or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item 11-I-A to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southwest Iowa Mental Health Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Southwest Iowa Mental Health Center's response to the finding identified in our audit is described in the accompanying Schedule of Findings. While we have expressed our conclusion on the Center's response, we did not audit the Center's response and, accordingly, we express no opinion on it.

This report, a public record by law, is intended solely for the information and use of the officials, employees and constituents of Southwest Iowa Mental Health Center and other parties to whom the Center may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Gunnwald, Beer, Kuhn & Co. P.C.

Atlantic, Iowa
October 7, 2011

SOUTHWEST IOWA MENTAL HEALTH CENTER
Schedule of Findings
Year ended June 30, 2011

PART I - SIGNIFICANT DEFICIENCIES

11-I-A Segregation of Duties: A limited number of people have the primary responsibility for most of the accounting and financial duties. As a result, some of those aspects of internal accounting control which rely upon an adequate segregation of duties are, for all practical purposes, missing in the Center. This deficiency is common among most small organizations.

Recommendation: We recognize that it may not be economically feasible for the Center to contract or employ additional personnel for the sole purpose of segregating duties, however, it is our professional responsibility to bring this control deficiency to your attention. We recommend that the Board be aware of the lack of segregation of duties and that they act as an oversight group to the accounting personnel.

Response: The Board is aware of this lack of segregation of duties, but it is not economically feasible for the Center to contract or employ additional personnel for this reason. The Board will continue to act as an oversight group.

Conclusion: Response accepted.

* * *